

Senate Bill No. 1371

CHAPTER 526

An act to add Section 758.6 to the Insurance Code, relating to insurance.

[Approved by Governor September 28, 2008. Filed with
Secretary of State September 28, 2008.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1371, Correa. Insurance: automobile repair capping.

Existing law prohibits insurers from engaging in specified acts relating to automotive repair.

This bill would prohibit insurers from capping paint and materials charges, as defined.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares the following:

(a) Today, methodologies that are accepted by both automobile repair shops and insurers are available to determine the cost of paint and related materials. These accepted industry methodologies include manuals and estimating systems that set out the refinish labor units required to paint a particular portion of an automobile, such as a hood, fender, rocker panel, and so forth. The paint and material charge is calculated by multiplying the refinish unit times the refinish rate. Additional accepted industry methodologies that are available involve software programs, which calculate the paint and materials charges.

(b) "Capping" occurs when the cost of paint and related materials determined by any of these accepted industry methodologies is ignored by an insurer. For example, an accepted industry methodology determines a cost of seven hundred dollars (\$700.00) for paint and related materials, and the insurer, as a standard practice, offers three hundred fifty dollars (\$350.00), an amount that is unrelated to the paint and material charges that would be determined by any of the accepted industry methodologies.

(c) Pricing agreements involving discounts that are entered into voluntarily between an automobile repair shop and an insurance company constitute neither "capping" nor an accepted industry methodology used in determining paint and material charges.

SEC. 2. Section 758.6 is added to the Insurance Code, to read:

758.6. Insurers shall not engage in capping. For the purposes of this section, "capping" means offering or paying an amount that is unrelated to

a methodology used in determining paint and materials charges that is accepted by automobile repair shops and insurers.

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